

## Message Text

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PAGE 01 MADRID 00294 01 OF 03 141320Z  
ACTION SS-25

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C O N F I D E N T I A L SECTION 1 OF 3 MADRID 294

EXDIS

NOFORN

E.O. 11652: XGDS-1  
TAGS: PFOR, GW, SP  
SUBJECT: CHANCELLOR SCHMIDT'S CONVERSATIONS WITH KING JUAN  
CARLOS AND PRIME MINISTER SUAREZ

1. THE GERMAN AMBASSADOR HAS GIVEN ME IN CONFIDENCE  
A COPY OF HIS TELEGRAM TO FOREIGN OFFICE IN BONN  
REPORTING ON CONVERSATIONS IN MADRID JANUARY 6 AND 7  
BETWEEN CHANCELLOR SCHMIDT, THE KING AND PRIME MINISTER  
SUAREZ. THE FOLLOWING IS AN INFORMAL TRANSLATION BY  
THIS EMBASSY OF THE GERMAN TELEGRAM. I SHOULD APPRECIATE  
IT IF NO MENTION WERE MADE TO THE GERMANS IN EITHER  
BONN OR WASHINGTON THAT WE HAVE THIS REPORT.

2. BEGIN GERMAN TELEGRAM:  
SUMMARY. THE RESULTS OF THE APPROXIMATELY ONE-AND-  
A-QUARTER-HOUR TALKS WERE AS FOLLOWS:  
BOTH TALKS TOOK PLACE IN AN OPEN AND FRIENDLY  
ATMOSPHERE. BOTH SUAREZ AND THE KING WERE WELL  
AWARE OF THE IMPORTANCE OF THE VISIT OF THE FIRST  
SOCIAL DEMOCRATIC GOVERNMENT HEAD AND THANKED HIM  
FOR COMING. SUAREZ THEN OUTLINED THE PROCESSES  
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AND GOALS OF THE REOFRM PROGRAM WITH AN OPTIMISTIC  
VIEW OF FUTURE DEVELOPMENTS. THE GERMAN CHANCELLOR  
ACKNOWLEDGED THE PROGRESS MADE IN SUCH A SHORT TIME.  
HE (SCHMIDT) STRESSED IN BOTH TALKS OUR INTEREST IN  
THE SUCCESS OF THE DEMOCRATIZATION PROCESS AS WELL  
AS THE IMPORTANCE OF THE POLITICAL AND ECONOMIC  
PROGRESS AND THE "DAMMING UP" OF COMMUNISM FOR

EUROPE. CENTRAL POINTS OF THE DISCUSSION WERE ECONOMIC AND SOCIAL PROBLEMS. SUAREZ STRESSED THE DANGER THAT A FURTHER WORSENING OF THE ECONOMIC SITUATION, STRIKES AND UNREST COULD HAVE ON REFORM POLICIES. THE KING ALSO SHOWED GREAT UNEASE OVER THE POSSIBILITY. THE GERMAN CHANCELLOR STRESSED THE NEED FOR CLOSE COOPERATION AMONG WESTERN HEADS OF GOVERNMENT TO COMBAT THE RESULTS OF THE NEW OIL PRICE INCREASES AND SHOWED HIMSELF MOST CONCERNED OVER THE POSSIBLE (FEARED) EFFECTS ON WORLD SOCIAL AND POLITICAL STABILITY.

DURING THE CONVERSATIONS WITH THE KING, THE POSITION OF THE OPEC COUNTRIES OCCUPIED MORE TIME, AND THE IMPORTANT ROLE OF THE SAUDI ARABIANS WAS PARTICULARLY STRESSED. THE WILLINGNESS--AND THE NEED--FOR CLOSE COOPERATION BETWEEN SPAIN AND GERMANY WAS EXPRESSED BY BOTH SIDES. END SUMMARY.

A. CONVERSATION WITH SUAREZ.

PRESENT WERE OREJA, MINISTER MAHOU FROM THE SPANISH EMBASSY IN BONN AS TRANSLATOR, LEISTER (OF SCHMIDT'S OFFICE) AND I.

THE GERMAN CHANCELLOR EXPRESSED HIS ACKNOWLEDGEMENT OF THE ASTOUNDING PROGRESS TOWARD DEMOCRATIZATION WHICH HAD TAKEN PLACE IN SPAIN DURING THIS YEAR. AT THE BEGINNING OF OCTOBER 1975, IN A CONVERSATION WITH AMBASSADOR LILIENFELD FOLLOWING THE RECALL OF THE AMBASSADORS OF THE NINE AFTER THE EXECUTIONS OF THAT TIME, THE CHANCELLOR HAD CONFIDENTIAL

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LOOKED WITH GREAT CONCERN ON EVENTS IN SPAIN. NOBODY WOULD HAVE FORECAST THEN THAT SUCH A RELATIVELY QUICK AND UNEVENTFUL MOVEMENT TOWARD (DEMOCRACY) WOULD HAVE BEEN POSSIBLE. SUAREZ SAID THAT ONLY WITH THE SECOND CABINET OF THE KING--HIS OWN--HAD THE DEMOCRATIZATION PROCESS REALLY GOTTEN IN GEAR. THE IMPORTANT THING WAS THAT THIS PROCESS CONTINUE WITHOUT TRAUMA OF FORCE. THE AGREEMENT OF THE CORTES TO THE REFORMS WAS PROOF THAT THE STEP-BY-STEP METHOD BASED ON LEGALITY WAS THE CORRECT METHOD TO USE, AND WAS PSYCHOLOGICALLY DECISIVE IN INFLUENCING THE POSITION OF THE ARMY AND THE ACT WAS ALSO ASTOUNDING SINCE THIS INSTITUTION IS A VESTIGIAL REMNANT OF THE FRANCO TIME. THUS THE ARMY WAS ABLE IN GOOD CONSCIENCE TO SUPPORT THE REFORM PROGRAM WITHOUT ANY PROBLEMS OF CONSCIENCE. THE GERMAN CHANCELLOR CALLED THIS SELF-DESTRUCTIVE ACTION BY THE CORTES AS AN IMPRESSIVE ACT OF POLITICAL INSIGHT. HE THEN ASKED TO WHOM THE MILITARY

SWEARS ALLEGIANCE. SUAREZ SAID NOW, AS BEFORE, TO THE KING. HE THEN STRESSED THAT THE SPANISH MILITARY HAD FULLY ACCEPTED AND WOULD DEFEND THE REFORM PROGRAM, CITING AS EVIDENCE THE SPEECH THE DAY BEFORE OF HIS VICE PRESIDENT, GUTIERREZ MELLADO. FOLLOWING A SHORT EXCHANGE OF OPINIONS OVER THE OPTIMUM AGE FOR GENERALS (SCHMIDT SAID BETWEEN 50 AND 60) DURING WHICH SUAREZ ONCE AGAIN STRESSED THE ABSOLUTE LOYALTY OF THE ARMY VIS-A-VIS THE KING, SUAREZ ALSO NOTED THAT HE WOULD KEEP IN MIND, IN HIS DIALOGUE WITH THE OPPOSITION, DEMOCRATIC GROUND RULES AND THE SHARED CONTROL OF EVENTS DURING THE FREE ELECTIONS. THE LEGALIZATION OF THE COMMUNIST PARTY IS A PROBLEM HERE. THE MAJORITY OF THE MILITARY AS WELL AS THE PEOPLE ARE STILL AGAINST IT TODAY. CARRILLO IS STILL TOO MUCH WIEGHED DOWN WITH ACTIONS FROM THE CIVIL WAR. THE PSOE DEMANDS THE RECOGNITION OF THE

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COMMUNISTS, BUT THIS WILL BE A DIFFICULT AND DELICATE QUESTION. HE (SUAREZ) HOPES FOR THE UNDERSTANDING OF THE DEMOCRATIC OPPOSITION, AS HE CAN'T FORCE THIS ISSUE AS YET. THIS COULD, HOWEVER--AS SO MUCH IN SPAIN IN RECENT TIMES--STILL CHANGE IN A FEW WEEKS, EVEN BEFORE THE ELECTION. THE GERMAN CHANCELLOR REMARKED THAT A LONG UNCERTAINTY OVER THE REAL STRENGTH OF THE COMMUNISTS COULD STRENGTHEN THEM AND IT WOULD PERHAPS BE BETTER TO HAVE THIS CLEAR RATHER THAN UNKNOWN. SUAREZ SAID THAT IT WOULD CERTAINLY BE SIMPLER FOR THE REGIME TO RECOGNIZE THE COMMUNISTS.

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C O N F I D E N T I A L SECTION 2 OF 3 MADRID 0294

C O R R E C T E D C O P Y (SECTION INFO OMMITTED ON ORIGINAL)

EXDIS

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THE PUBLIC MOOD IS MOVING IN THIS DIRECTION.  
IN JULY 1976, ONLY SIX PERCENT CAME OUT IN FAVOR OF  
RECOGNITION OF THE COMMUNIST PARTY; HOWEVER, RECENTLY  
20-25 PERCENT WERE FOR THE RELEASE OF CARRILLO AND  
THIS IS THE FIRST REAL STEP IN THIS DIRECTION. TO  
THE GERMAN CHANCELLOR'S QUESTION AS TO WHETHER THE  
COURT OR THE REGIME DECIDED ON HIS RELEASE, SUAREZ  
SAID THE COURTS, WERE, OF COURSE, INDEPENDENT.  
HOWEVER, THE KING'S PROSECTOR COULD INFORM THE COURT  
OF THE CABINET'S OPINION AND IN THIS WAY HARMONIZE  
THE DECISION OF COURT AND REGIME.  
THE GERMAN CHANCELLOR STRESSED THE NEED FOR THE  
EARLIEST POSSIBLE ESTABLISHMENT OF FREE TRADE UNIONS.  
OTHERWISE THE COMMUNISTS IN THE UNDERGROUND COULD GAIN  
GREAT INFLUENCE ON THE UNIONS, AS FOR EXAMPLE IN  
FRANCE AND ITALY. AS LONG AS THE COMMUNISTS HAD NO  
OTHER PRACTICAL POLITICAL POSSIBILITIES, THEY WOULD  
CONCENTRATE ON THE UNIONS. GERMANY'S ABILITY TO  
OVERCOME THE RECENT ECONOMIC CRISIS WITH RELATIVE  
EASE WAS ONLY POSSIBLE BECAUSE OUR UNIONS WERE NOT  
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UNDER COMMUNIST LEADERSHIP BUT SOCIAL DEMOCRATIC,  
AND IN A SMALLER WAY CHRISTIAN DEMOCRATIC, AND  
FELT JOINTLY RESPONSIBLE FOR THE WHOLE PROBLEM. THERE  
HAS BEEN--DESPITE SOME DISAGREEMENTS IN RECENT  
TIMES--CLOSE COOPERATION WITH THE LEADERS OF THE  
UNIONS, WHOSE WAGE DEMANDS HAVE REMAINED WITHIN  
REASONABLE LIMITS. HE (SCHMIDT) LEFT NO DOUBT THAT  
HE WOULD NOT STAND FOR AN ATTEMPT (BY THE UNIONS) TO  
OBTAIN SENSELESS WAGE HIKES THROUGH STRIKES AND THAT  
HE WOULD CONTROL PRICES AND WAGES SHIFT OVER TO THE  
POLITICAL SECTOR. SUAREZ SAID THAT UNFORTUNATELY  
TO DATE A SENSIBLE EXCHANGE WITH RESPONSIBLE UNIONS  
HAD NOT BEEN POSSIBLE, SINCE IN SPAIN THEY DON'T YET  
EXIST. THEY ARE STRONGLY INFLUENCED BY THE COMMUNISTS.  
HE ATTRIBUTED GREAT IMPORTANCE TO THE (UNION) QUESTION.  
THE CORTES WOULD TAKE UP THE GOVERNMENT BILL ON FREE  
TRADE UNIONS, STRIKE REGULATIONS, ETC., NEXT WEEK.  
UNFORTUNATELY, THE SPANISH LEFT OPPOSITION, NONCOMMUNIST

AS WELL, NOW MAKE EXAGGERATED AND RADICAL DEMANDS BECAUSE OF THE PREVIOUS LACK OF THE RIGHT TO STRIKE. THE PREVIOUS LEGISLATION WAS ANTIQUATED. ALL MUST BE NEWLY LEGISLATED, BUT FOR THIS, TOO, THERE IS NEED FOR FUNCTIONING POLITICAL PARTIES. WAGE DEMANDS OCCASIONALLY IN EXCESS OF THIRTY PERCENT ARE ECONOMICALLY IMPOSSIBLE FOR THE ECONOMY AND THEREFORE UNACCEPTABLE TO THE REGIME. THE MONETARY POLICY MUST ALSO BE TOTALLY REVISED.

THE GERMAN CHANCELLOR NOTED THAT ONLY IN THE PRESENT BRITISH REGIME WAS THE ATTEMPT BEING MADE TO STAY IN PERMANENT CONTACT WITH THE UNIONS OVER WAGE, ECONOMIC, STRIKE AND MONETARY PROBLEMS AND THAT THIS HAD RESTORED THE CHANCES FOR ECONOMIC SURVIVAL. IN ITALY A SIMILAR, BUT LESS PROMISING OF SUCCESS, PROCESS IS GOING ON. THIS (PROCESS) WILL, HOWEVER, BE DECISIVE FOR SPAIN. IN ALL EUROPE, SCHMIDT SAID, THE UNIONS MUST BE PERSUADED TO ACCEPT RESPONSIBILITY  
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FOR THE COMMON FATE, OTHERWISE POLITICAL RADICALIZATION IS UNAVOIDABLE. EVEN IN ENGLAND A PORTION OF THE UNIONS ARE COMMUNIST, IN FRANCE AND ITALY, UNFORTUNATELY, PREPONDERATELY SO. IDEOLOGICAL BLINDNESS MAKES IT IMPOSSIBLE FOR THE COMMUNISTS TO ACKNOWLEDGE WHAT IS ECONOMICALLY NECESSARY AND SENSIBLE.

THE GERMAN CHANCELLOR THEN EXPRESSED HIS DEEP CONCERN OVER THE DECREASE IN PRODUCTION, INCREASE IN UNEMPLOYMENT AND LOWERING OF INCOME IN SPAIN, FRANCE, ITALY, USA, CANADA AND THE GERMAN FEDERAL REPUBLIC. IN THE ENTIRE WORLD, WITH THE EXCEPTION OF SWITZERLAND, THE ARAB OIL STATES AND PERHAPS THE SOVIET UNION, CHINA AND JAPAN, THE GROUND IS BEING PREPARED FOR THE LEFT POSSIBLY TAKING POWER. ALSO, EVEN THOUGH THE COMMUNISTS MAY WIN NO MORE THAN NINE PERCENT OF THE VOTE, THIS DANGER IS NONETHELESS PRESENT ON THE IBERIAN PENINSULA. ALL WESTERN HEADS OF STATE MUST AGREE AMONG THEMSELVES ABOUT ECONOMIC POLICY. THEY MUST, WITH THEIR UNIONS, LEAD A CONCENTRATED BATTLE AGAINST INFLATION AND INSTITUTE COOPERATIVE POLITICAL ECONOMIC MEASURES. IN THIS CONNECTION, THE GERMAN CHANCELLOR STATED HIS OPINIONS ABOUT THE TASKS OF THE SPRING ECONOMIC SUMMIT CONFERENCE. THE WORLD ECONOMY FINDS ITSELF TODAY IN A SITUATION AS DANGEROUS AS THAT OF 1932-34 BECAUSE OF THE ACTIONS OF THE OPEC STATES. THEN IT WAS A POLICY OF DEFLATION, TODAY INFLATION, WHICH COULD HAVE THE SAME REVOLUTIONARY SOCIAL AND POLITICAL CONSEQUENCES. THE MAJORITY OF THE OPEC COUNTRIES DO NOT UNDERSTAND THIS OR DO NOT

TAKE IT SERIOUSLY ENOUGH. COMMUNIST STATES SUCH AS YUGOSLAVIA, HUNGARY AND POLAND WILL BE DRAWN IN. WHAT IS NECESSARY IS A COMMON CONCEPT IN THE WESTERN WORLD.

SUAREZ AGREED THAT THESE PRECEPTIONS OF THE CHANCELLOR WERE CERTAINLY ALSO VALID FOR SPAIN  
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WHERE SIMILAR POSITIONS ARE BEING TAKEN. UNFORTUNATELY THE ECONOMIC CRISIS COINCIDED IN SPAIN WITH POLITICAL CHANGE. AND THIS COMBINATION IS DANGEROUS INTERNATIONAL SOLIDARITY IS PARTICULARLY IMPORTANT FOR THE MAINTAINING OF DEMOCRACY IN SPAIN AND FOR THE SUCCESS OF THE REFORM PROGRAM. THE DANGER OF COMMUNISM WOULD BE GREATER IF THE ECONOMIC SITUATION BECAME WORSE. THE EXTREMES OF RIGHT AND LEFT HAVE THE SAME GOAL TO PUT IN DANGER THE DEMOCRATIZATION PROCESS. ONE TRIES, THEREFORE, TO LOAD THE ECONOMIC CRISIS ONTO "DEMOCRACY". THE EXTREME RIGHT WHICH EVEN TODAY IS TRYING THROUGH VARIOUS MANIPULATIONS. SUCH AS CAUSING A DROP IN THE STOCK MARKET AND THE DESTRUCTION OF CONFIDENCE, TO SOW ENOUGH CONFUSION IN THE ECONOMY TO, PERHAPS, BRING ABOUT A MILITARY INTERVENTION. THIS WOULD, NATURALLY, HALT THE DEMOCRATIZATION PROCESS AND ALSO HELP EXTREME LEFT. THIS ALSO WOULD END ANY POSSIBILITY OF SPAIN'S TAKING PART IN EUROPEAN INSTITUTIONS OR ITS DEFENSE WHICH WOULD ONLY WORK TO THE BENEFIT OF THE WARSAW PACT. HE WAS IN FULL AGREEMENT WITH THE CHANCELLOR, THAT THE MAINTENANCE OF ECONOMIC STABILITY WAS NEEDED FOR POLITICAL STABILITY. HE WAS WELL AWARE THAT HIS OWN REGIME WAS GOING TO HAVE TO TAKE DECISIVE ECONOMIC STABILIZATION MEASURES. HE WAS CONVICTED THAT HE COULD SUCCESSFULLY DESTROY THE HOPES OF THESE TWO EXTREMES. HE ALSO WISHED TO GENERATE FOREIGN CAPITAL ASSISTANCE, FOR EXAMPLE DURING A FEBRUARY TRIP TO SPAIN, BECAUSE OF ITS DRAMATIC POLITICAL DEVELOPMENTS. WAS IN GREATER DANGER FROM ECONOMIC CRISES THAN OTHER COUNTRIES. IN ALL COUNTRIES WHICH VOTED DURING THIS YEAR) EXCEPT THE GERMAN FEDERAL REPUBLIC) THE ECONOMIC CRISIS RESULTED IN THE DEFEAT OF THE INCUMBENT REGIME. THE NEW GOVERNMENTS, HOWEVER, HAVE NO MORE ANSWERS THAN THEIR PREDECESSORS. IN SPAIN, THE DANGER EXISTS THAT ANTI DEMOCRATIC ELEMENTS WILL USE  
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AN ECONOMIC RECESSION TO REMOVE THE REGIME AND END REFORMS. SUAREZ STATED THAT ANOTHER WAY TO WORK AGAINST THIS WOULD BE TO AGREE, NOW, WITH ALL PARTIES INCLUDING THE OPPOSITION ABOUT THREE THINGS:

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C O N F I D E N T I A L SECTION 3 OF 3 MADRID 294

EXDIS

NOFORN

1. THE NECESSITY FOR ECONOMIC MEASURES AGAINST INFLATION AND UNEMPLOYMENT AND TO INCREASE INVESTMENT.

2. IN FOREIGN POLICY, TO AGREE THAT SPAIN IS PART OF EUROPE, COOPERATION WITH PORTUGAL, ALSO WITH RESPECT TO THE ALLIANCE, MAXIMUM COOPERATION WITH THE COMMON MARKET, PARTICULAR COOPERATION WITH LATIN AMERICAN AND ARAB LANDS.

3. IN THE EDUCATIONAL SPHERE, BASIC NEW APPROACHES TO DEVELOP A MODERN AND OPEN-MINDED YOUTH.  
ALL THESE BASIC POLICIES SHOULD AS MUCH AS POSSIBLE BE BINDING ON FUTURE REGIMES.  
AT THE END, SUAREZ THANKED THE CHANCELLOR FOR HIS VISIT WHICH WAS VERY IMPORTANT AT THIS MOMENT. SPAIN, HE SAID, WILL CONTINUE ON THE ROAD TO DEMOCRACY AND WITHOUT "FALLING DOWN" (UMSTURZ) RESOLVE ALL ITS PROBLEMS. THERE IS NO GOING BACK. THE KNOWLEDGE OF INTERNATIONAL SUPPORT IS THEREFORE VERY IMPORTANT. THE FEDERAL REPUBLIC HAS HIS  
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SPECIAL THANKS FOR ITS HELP. THE WEST GERMAN CHANCELLOR THANKED HIM FOR HIS OPENHEARTEDNESS AT THE TALKS. HE ADMIRERD THE ENERGY AND COURAGE WITH WHICH HE HAD PRESSED FORWARD WITH THE DEMOCRATIZATION PROCESS. OTHER EUROPEAN COUNTRIES WERE ALSO HAPPY ABOUT THIS. HE WILL INFORM THE GERMAN PARLIAMENT ABOUT THIS NEXT WEEK. THE TALKS WERE VERY USEFUL AND WORTHWHILE FOR HIM.

B. CONVERSATION WITH THE KING

(PRESENT WERE SUAREZ AND MYSELF)

THE CONVERSATION FOLLOWED ESSENTIALLY THE SAME LINES (AS WITH SUAREZ), WITH THE ROLE OF THE OPEC COUNTRIES BEING STRESSED. THE KING EMPHASIZED THE IMPORTANCE OF SUPPORT FROM OTHER REGIMES, ESPECIALLY BY US (THE GERMANS). THE CHANCELLOR ASSURED HIM OF HIS INTEREST AND ADMIRATION FOR HIS COURAGE. HE (SCHMIDT) SPOKE AT LENGTH IN HELSINKI WITH ARIAS. SINCE THEN, THERE HAS BEEN "ENORMOUS PROGRESS", WHICH IS VERY WELCOME FOR THE EVOLUTION OF EUROPE. THIS HAS ALSO BEEN SO PERCEIVED BY THE GERMAN PEOPLE. THE CHANCELLOR SPOKE IN SAME MANNER AS WITH SUAREZ ABOUT HIS SKEPTICISM CONCERNING FUTURE ECONOMIC DEVELOPMENTS IN THE WORLD. HIS UNSUCCESSFUL ATTEMPT TO EVOLVE INTENSIVE COOPERATION WITH GISCARD TO COMBAT THESE DEVELOPMENTS HAS DISAPPOINTED HIM. IN SPAIN, FOR EXAMPLE, THE PERCENTAGE OF UNEMPLOYED IS LOWER THAN IN THE USA, FRANCE, ITALY AND EVEN GERMANY. ON THE OTHER HAND, THE DANGER OF SOCIAL UNREST IS AT THE MOMENT ESPECIALLY GREAT. THE PROBLEMS WHICH MANY NATIONS FACE BECAUSE OF THE OIL PRICE INCREASE, PARTICULARLY OF ITALY AND GREAT BRITAIN, CAN NO LONGER BE SOLVED ON A BILATERAL BASIS. A PARTICULAR ROLE FALLS TO SAUDI ARABIA TODAY. IT WILL BE NEXT YEAR THE SECOND LARGEST WORLD CREDITOR AFTER THE USA. HE (SCHMIDT) HAS BEEN CONCENTRATING

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A GREAT DEAL ON SAUDI ARABIA, AND HOPES THAT IT WILL BE POSSIBLE TO COOPERATE SENSIBLY WITH THIS NATION. THE OPEC IS IN THE PROCESS OF DESTROYING THE BASIS OF THE WESTERN WORLD WITHOUT KNOWING IT OR REALLY WANTING IT TO HAPPEN. THE KING STRESSED THAT AT THE PRESENT TIME, THE POLITICAL CHANGES IN SPAIN MAKE IT NECESSARY TO CONTINUE A CERTAIN AMOUNT OF INFLATION



IN ORDER TO AVOID SOCIAL STRESSES. THE CHANCELLOR, HE SAID, IS CERTAINLY RIGHT IN SAYING THAT THEY MUST TRY TOGETHER TO MAINTAIN STABILITY. SPAIN, HE SAID, BELIEVES VERY MUCH IN EUROPE DESPITE SOME ECONOMIC PROBLEMS, FOR EXAMPLE WITH FRANCE. POLITICAL STABILITY MUST ALSO BE ASSURED IN PORTUGAL DURING THIS PERIOD. FOR SPAIN PORTUGAL IS A WARNING EXAMPLE. SUAREZ AND THE CHANCELLOR BOTH AGREED THAT SOARES WAS AN ABLE LEADER AND THE ONLY ONE WHO COULD MASTER THE SITUATION IN PORTUGAL. HE HAS TO OVERCOME THE WIDESPREAD ILLUSION THAT SOCIALISM MEANS THAT ONE NO LONGER HAS TO WORK. THE KING MENTIONED THAT STRIKES COST ONE HUNDRED MILLION WORK HOURS IN THE LAST YEAR AT WHICH POINT THE CHANCELLOR INTERJECTED THAT IN A TIME OF UNEMPLOYMENT, STRIKES WERE NOT NECESSARILY BAD ALTHOUGH THEY HAD A BAD PSYCHOLOGICAL EFFECT. A LONG DISCUSSION DEVELOPED, FOLLOWING A QUESTION BY THE KING, OVER THE ROLE OF THE SHAH AND HIS INTENTIONS IN ACQUIRING THE KRUPP SHARES. THERE WAS AGREEMENT, FOLLOWING A QUESTION ON THE TOPIC BY ME (LILIENFELD) THAT REGARDLESS OF IRAN'S POSITION ON THE OIL PRICE QUESTION, IT IS DESIRABLE TO ATTRACT IRANIAN CAPITAL TO SPAIN, PERHAPS IN A MANNER SIMILAR TO THE KRUPP' INVESTMENT. THE KING WISHES TO INTENSIFY ECONOMIC COOPERATION WITH SAUDI ARABIA THROUGH HIS VISIT IN FEBRUARY. ALSO, LATIN AMERICA IS IMPORTANT. HERE SOMETHING COULD PERHAPS BE UNDERTAKEN IN COOPERATION WITH THE GERMAN FEDERAL REPUBLIC. THE CHANCELLOR AGREED THAT IT FALLS TO SPAIN TO PLAY AN IMPORTANT CONFIDENTIAL

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ROLE IN BRINGING LATIN AMERICAN NEARER TO EUROPE. SUAREZ SUGGESTED THAT SPAIN AND PORTUGAL SHOULD WORK TOGETHER IN BRAZIL. ONE COULD PERHAPS BIT-BY-BIT BRING DEMOCRACY TO LATIN AMERICA. AS THEY PARTED, THE KING ONCE AGAIN SHOWED HIMSELF TO BE OPTIMISTIC ABOUT FUTURE DEVELOPMENTS IN SPAIN, THANKED THE CHANCELLOR FOR HIS VISIT AND HIS INTEREST AND EXPRESSED HIS HAPPINESS OVER HIS UPCOMING APRIL TRIP TO THE FEDERAL REPUBLIC. STABLER

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